

FISCAL NOTE

HB 3102 - SB 3065

March 4, 2002

SUMMARY OF BILL: Allows the Board of Regents of the state university and community college system to make tax-sheltered annuities (Section 403(b) plans) available to its employees. Further, if the UT Board of Trustees or the State Board of Regents makes such plans available to their respective employees, then the respective board must contribute to each participating employee's annuity account an amount equal to 25% of the value of the employee's accumulated sick leave at retirement.

It is assumed that the bill will apply to employees in the Optional Retirement Plan and employees of the Tennessee Consolidated Retirement System.

Current law allows the University of Tennessee Board of Trustees to make tax-sheltered annuities (i.e., Section 403(b) Plans) available to its employees.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$1,034,000

Estimate assumes:

- Higher education employees who are in an optional retirement plan (ORP) or the Tennessee Consolidated Retirement System (TCRS) will be affected.
- Employees must belong to a tax-sheltered annuity in order to receive 25% of the value of the employee's accumulated sick leave at retirement.
- Those higher education employees who do not accumulate sick leave would remain unaffected.
- TBR and UT have approximately 28,000 employees, with an across the board estimate of 50% of the employees in an optional retirement plan (ORP) and 50% in the TCRS.
- Each year, approximately 2% of the employees leave due to retirement.
- Cost for TBR will be more proportionally due to faculty receiving sick leave while not all faculty at UT receive sick leave benefits.

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Details of this estimate are shown below:

	UT	TBR
Est. value of current ORP & TCRS		
sick leave	\$36,000,000	\$170,800,000
25% of current OPR & TCRS		
sick leave	\$ 9,000,000	\$ 42,700,000
Retirees estimated at 2% per year	\$ 180,000	\$ 854,000
Total est. cost per year		\$1,034,000

Note: The Tennessee Consolidated Retirement System (TCRS) indicates that this bill would give employees in institutions of higher education who belong to TCRS, dual credit for their accumulated sick leave at retirement. The employees could receive credit in the TCRS for the sick leave and then receive an annuity contribution equal to 25% of the value of the same accumulated leave.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director